

Anti-Fraud Policy

Version : V2

Valid from : 01 February 2023 Valid to: -

Entities involved: Hannover Rück SE – India Branch

Topic-Owner : Ramakant Malpani, Chief Risk Officer

Approved by : Executive Committee of the Management (Branch Steering Board)
Approved on 15 June 2023

1. Preamble

“FRAUD” is an intentional act of commission or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.

Fraud can occur in organizations of any size or type and almost any person may be capable of committing fraud given the right set of circumstances. Fraud is a significant business risk that needs to be managed like all other business risks.

Since fraud may be difficult to detect because it often involves concealment through falsification of documents and collusion among staff or third parties, It is important to place a strong emphasis on fraud reduction through a combination of measures like fraud awareness, fraud prevention, fraud deterrence, fraud detection and fraud reporting.

2. Purpose

The Hannover Rück SE – India Branch (‘Branch’) recognises that exposure to fraud is a possible hazard given its wide operations. Therefore, this Anti-Fraud Policy (**the Policy**) is framed and is being issued herewith for study and implementation effective from 01 April 2021.

3. Objective

The main objective of this policy is to protect the Branch from potential frauds that may impact the Branch financially and also impair its brand image. A proper implementation of Anti-Fraud Policy would imbibe fraud prevention perspective into the corporate culture and ethos of the Branch and that every employee would contribute to preventing fraud against the Branch.

The intention of the Branch is to prevent, deter, detect and report frauds.

4. Group Policy Reference

- Code of Conduct
- Framework for Management of Operational Risks
- Operational Risk Event Reporting (Guideline)

5. Categories and Perpetrators of Fraud faced by a Reinsurance Branch

Reinsurance Branches typically face prospects of following main categories of fraud:-

- Cedants and/or claim-related Frauds: Fraud against the Branch in the purchase and/or execution of a Reinsurance contract, including at the time of making a claim.
- Intermediary Fraud: Fraud perpetrated against the Branch by the Broker/ Corporate Agent/ Intermediaries.
- Internal Fraud: Fraud/ misappropriation against the Branch by its Key Management Personnel, and/or any Employee.
- Third Party Fraud: Frauds committed by Third Parties (Vendors, Advisors, Consultants etc. and/or their individual employees/representatives) against the Branch

It can reasonably be stated that the Company can expect that a fraud could be perpetrated against it by any of the following acting alone or in combination with another:

- Employee(s), ex-employee(s)
- Persons engaged for work or assignment on temporary/ad-hoc/contract/daily wage basis and/or their individual employees/representatives
- Advisor(s), Consultants and similar providers of professional expertise including but not restricted to Surveyors / Valuers / Loss Adjusters, Lawyers, Investigators and/or their individual employees/representatives
- Vendors, suppliers of any goods or services to the Branch (including Establishment and IT hardware/software suppliers and support and maintenance providers).

- v. Reinsurers/ Cedants of the Branch and/or their individual employees/ representatives
- vi. Brokers and/or their individual employees/representatives

6. Examples of Frauds faced by a Reinsurance Branch

The following are some typical examples of fraud that may be expected by a Reinsurance Branch. It bears stressing here that this list is merely illustrative and is **not** exhaustive or to be treated as complete for the purpose of this Policy:

- i. Wilful suppression of facts/ deception in matters of appointment, in submission of reports of any nature to the Branch, in any recommendations or making such recommendations as a result of which a wrongful gain is made to any person/ organisation/ entity and/or a wrongful loss is caused to the Branch or the public exchequer.
- ii. Forgery or unauthorized alteration of any document (including Reinsurance Contract/ Endorsement/ Covernote, Bordereaux, Reinsurance Slips, Closings, Claims documents) or correspondence or account belonging to the Branch.
- iii. Forgery or unauthorized alteration of cheques, bank drafts or any other financial instruments.
- iv. Misappropriation of funds, securities, supplies or other assets by fraudulent means.
- v. Falsifying records, removing the documents/ papers/ notings from files and /or replacing them.
- vi. Making fraudulent/ false notings in official records of the Branch.
- vii. Utilizing Company funds for purposes for which the said funds are not intended.
- viii. Effecting major material departures from standard laid-down Tendering procedures or norms without clear written authorisations and “speaking orders”.
- ix. Kickbacks (including the receipt of expensive gifts or accepting or seeking anything of material value from cedants/ brokers/ Third parties).
- x. Inflating expenses, claims, overbilling
- xi. Permitting special prices or privileges to cedants/ brokers or granting business to favoured suppliers.

- xii. Any other act that falls under the description of 'fraudulent activity'.

7. Prevention, Identification, Investigation and Reporting of Frauds

- i. It is the responsibility of Departmental Head to ensure that in respect of their areas of responsibility, all reasonable necessary steps are taken for prevention of fraud.
- ii. Despite the above should a fraud be suspected or detected, all employees/officers are responsible to bring to notice of the Departmental Head about any such fraud detected or suspected as soon as it comes to their notice.
- iii. It is the duty of Departmental Head to provide to the Branch Chief Risk Officer (CRO) information which is within his/her knowledge about any attempted fraud or potential/suspected fraud regardless of whether it has caused actual financial loss to the Branch at that juncture or not.
- iv. Where the fraud involves or is reasonably suspected to involve an employee of the Branch, it shall be reported by the Departmental Heads to the Branch Compliance Officer in addition to the CRO.
- v. CRO to also take cognisance of alleged/suspected frauds reported by any means including online ones by any external agencies including but not restricted to Auditors.
- vi. CRO to: -
 - a) Analyse fraud data received from departmental heads and/or external agencies and suggest effective control measures after analysis.
 - b) Ensure investigations are conducted in a timely manner
 - c) Co-operate actively with Compliance
- vii. The CRO to report to the Executive Committee of the Management (ECM) and to the Home office on a regular basis the status on various fraudulent cases which have come to light and the action taken thereon.
- viii. This Policy empowers ECM to decide whether the reported incident falls within the definition of fraud.
- ix. It is the duty of the Compliance Officer to file with the Regulator forms - FMR1 and FMR 2, giving following details, each year within 30 days of the close of the financial year:
 - a) Outstanding fraud cases and

b) Closed fraud cases

8. Recovery of Fraud Loss

- i. Upon detection of a fraud, the Departments concerned should make every effort possible to recover the loss amount involved.
- ii. Loss mitigation action to include recovery from concerned employee and initiation of disciplinary action under the prevailing Branch's HR rules
- iii. Loss mitigation involving Third Parties, in addition to recovery, to include initiating legal action including filing of recovery suits wherever feasible.

9. Compliance

Each employee working in the Branch and every individual/ organisation/ entity dealing with the Branch shall endeavour in every possible manner to comply with the norms laid down in this Policy. Non-compliance shall be deemed violation of terms and conditions of employment /engagement or terms and conditions of contract (as the case may be) and shall be dealt with per the Branch's disciplinary procedures/ terms of engagement or terms of the particular contract(s) or the law as applicable and appropriate.

The Branch would have 'Zero Tolerance' to non-compliance to the terms and conditions of this Policy.

10. Fraud prevention through awareness

The Policy recognises that proper awareness is the main pillar of fraud prevention effort.

- I. Branch would endeavour to put systems in place for fraud prevention.
- II. Branch would focus on continuously educating its employees on fraud prevention.
- III. Employees would be sensitised by means of emails/circulars etc. All the new joiners would be shared a copy of Anti-Fraud policy along with Code of Conduct.
- IV. For the benefit of all employees/clients/third parties etc., the Branch shall appropriately include necessary caution in its Contracts/ Service Agreements/ relevant documents, duly highlighting the consequences of submitting false statements/documents and/or incomplete information.

- V. This Anti-Fraud Policy shall be published on the website of the Branch for the information of existing/Potential Clients and third parties.

11. Review of the Policy

The responsibility for the administration of this policy is vested in Branch Chief Risk Officer (CRO) who will review it minimum once a year.

12. Power of Interpretation

The Chief Executive Officer (CEO) is accorded the authority to issue directions and clarifications in furtherance of the implementation of this Policy.

13. Document History

| Version | Valid From | Status | Changes | Author |
|----------------|-------------------|---------------|----------------------|------------------|
| V1 | 01 April 2021 | Inactive | Initial Installation | Vajra Singh |
| V2 | 01 February 2023 | Active | Due to change in CFO | Ramakant Malpani |